

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2007

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2007
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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

BOARD MEMBERS AND OFFICIALS

June 30, 2007

Board of Education		
<u>Name</u>		<u>Term Expires</u>
Jim Black	President	September, 2007
Kirk Banks	Vice President	September, 2008
Phil Parks	Board Member	September, 2009
Gordy Johnson	Board Member	September, 2007
Janet Willer	Board Member	September, 2008
Kevin DeRocher	Board Member	September, 2009
Roger Oetken	Board Member	September, 2008
Officials		
Ron Flynn	Superintendent	June 30, 2007
Jodi Thompson	Board Secretary/ Business Manager	June 30, 2007
James Hanks	Attorney	Indefinite

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Akron-Westfield Community School District
Akron, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Akron-Westfield Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Akron-Westfield Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Akron-Westfield Community School District as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2007, on our consideration of the Akron-Westfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Akron-Westfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information, included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in

our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
November 20, 2007

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

Akron-Westfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

General fund revenues increased slightly from \$5,134,372 in fiscal 2006 to \$5,184,289 in fiscal 2007, while General fund expenditures increased from \$4,802,559 in fiscal 2006 to \$4,953,160 in fiscal 2007. The District's General fund balance increased from \$699,947 in fiscal 2006 to \$841,746 in fiscal 2007, a 20% increase.

The overall increase in the General fund balance is attributable to reduction of staff and programs along with other measures taken to control expenditures. This has been an on-going process at the Akron-Westfield Community School District since there was a deficit General fund balance between fiscal years 1998 and 2003.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Akron-Westfield Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Akron-Westfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds and Capital Project Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

GASB 34 Akron-Westfield Community School District Annual Financial Report

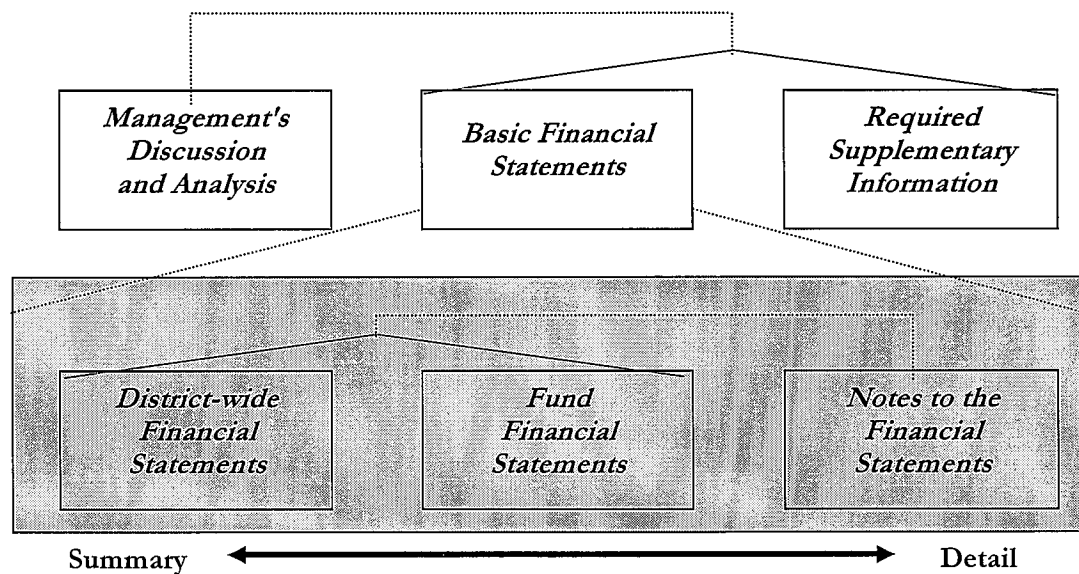


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's agency funds include the athletic boosters account and the employee flex account.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Current and other assets	\$ 3,881,667	\$ 4,189,321	\$ 32,053	\$ 23,604	\$ 3,913,720	\$ 4,212,925	7.65%
Capital Assets	3,658,620	3,841,418	14,282	14,550	3,672,902	3,855,968	4.98%
Total Assets	7,540,287	8,030,739	46,335	38,154	7,586,622	8,068,893	6.36%
Long-term debt outstanding	1,819,970	1,462,549	-	-	1,819,970	1,462,549	-19.64%
Other Liabilities	2,713,658	2,852,449	189	90	2,713,847	2,852,539	5.11%
Total Liabilities	4,533,628	4,314,998	189	90	4,533,817	4,315,088	-4.82%
Net Assets							
Invested in capital assets, net of related debt	1,938,570	2,378,869	14,282	14,550	1,952,852	2,393,419	22.56%
Restricted	556,671	454,703	-	-	556,671	454,703	-18.32%
Unrestricted	511,418	882,169	31,864	23,514	543,282	905,683	66.71%
Total Net Assets	\$ 3,006,659	\$ 3,715,741	\$ 46,146	\$ 38,064	\$ 3,052,805	\$ 3,753,805	22.96%

The District's combined net assets increased by just almost 23% or approximately \$701,000 over the prior year. The governmental activities increased \$709,082 and the business type activities decreased \$8,082. The large increase in the governmental activities was due to increases in the tax and intergovernmental revenues.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007.

Figure A-4

Changes in Net Assets from Operations

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,169,285	\$ 1,100,965	\$ 154,937	\$ 158,386	\$ 1,324,222	\$ 1,259,351	-4.90%
Operating and Capital grants, contributions, and restricted interest	560,942	594,595	108,741	94,980	669,683	689,575	2.97%
General Revenue:							
Property Tax	2,197,254	2,324,754	-	-	2,197,254	2,324,754	5.80%
Local Option Sales Tax	328,792	302,400	-	-	328,792	302,400	-8.03%
State Aid	1,928,202	2,030,522	-	-	1,928,202	2,030,522	5.31%
Investment Earnings	89,414	62,990	223	272	89,637	63,262	-29.42%
Use of Money & Property	-	-	-	-	-	-	-
Other	30,285	15,322	-	175	30,285	15,497	-48.83%
TOTAL REVENUES	6,304,174	6,431,548	263,901	253,813	6,568,075	6,685,361	1.79%
Expenses:							
Instruction	3,794,370	3,790,952	-	-	3,794,370	3,790,952	-.09%
Support Services	1,670,673	1,450,700	-	-	1,670,673	1,450,700	-13.17%
Non-instructional	155,680	-	260,482	261,895	416,162	261,895	-37.07%
Other expenses	312,828	480,814	-	-	312,828	480,814	53.70%
TOTAL EXPENSES	5,933,551	5,722,466	260,482	261,895	6,194,033	5,984,361	-3.39%
Change in Net Assets	\$ 370,623	\$ 709,082	\$ 3,419	\$ (8,082)	\$ 374,042	\$ 701,000	87.41%

Property tax, local option sales tax, and state aid account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Figure A-5

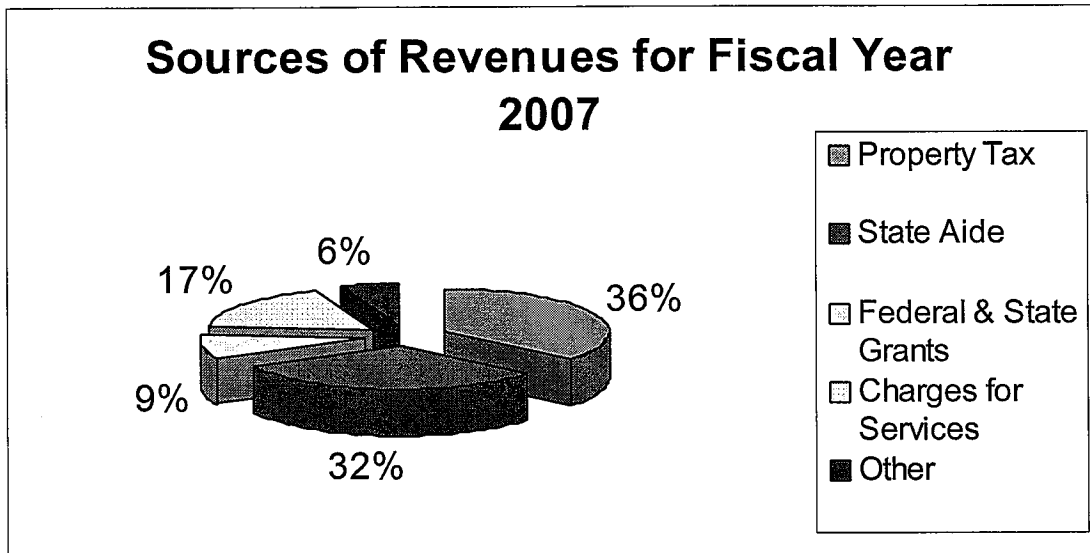
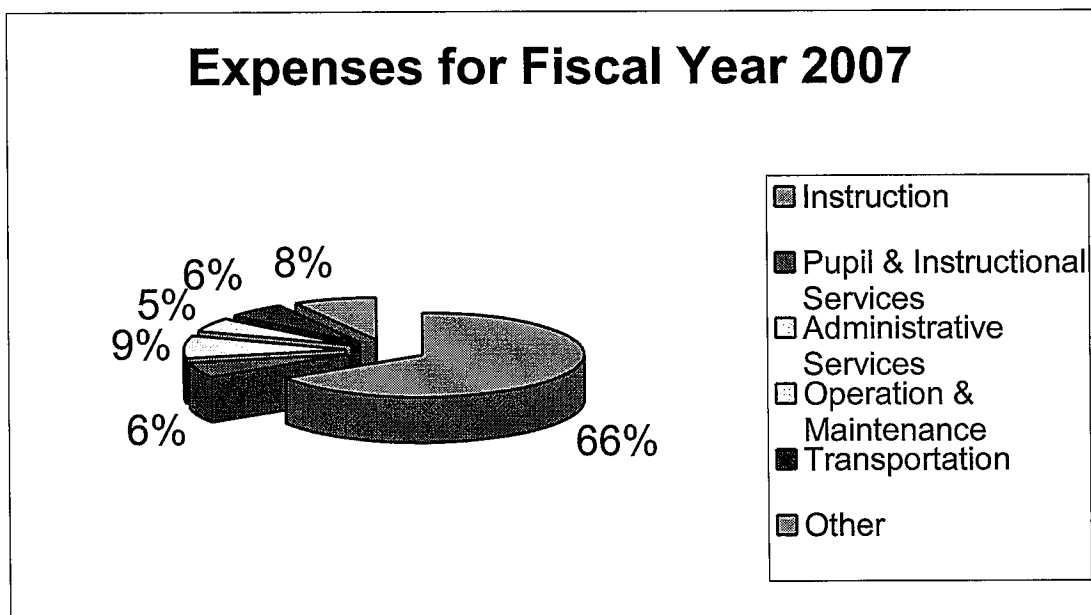


Figure A-6



Governmental Activities

Revenues for governmental activities were \$6,431,548 and expenses were \$5,722,466. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-7

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2006	2007		2006	2007	
Instruction	\$3,794,370	\$3,790,952	-.09%	\$2,376,174	\$2,487,427	4.68%
Support Services	1,670,673	1,450,700	-13.17%	1,530,252	1,270,502	-16.97%
Other Expenses	468,508	480,814	2.63%	296,898	268,977	9.40%
TOTAL	\$5,933,551	\$5,722,466	-3.56%	\$4,203,324	\$4,026,906	-4.20%

- The cost financed by users of the District's programs was \$1,100,965.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$594,595.
- The net cost of governmental activities was financed with \$2,324,754 in property taxes and \$2,030,522 in unrestricted state grants.

Business Type Activities

Revenues for business type activities (school food and nutrition services) totaled \$253,813 and expenses were \$261,895. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Akron-Westfield Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,648,224, which is greater than last year's ending fund balances of \$1,403,474.

Governmental Fund Highlights

- The General Fund balance increased from \$699,947 in fiscal 2006 to a balance of \$841,746 in fiscal 2007. This is primarily due to program and staff reductions, retirements and other cost savings measures.
- The Management Levy fund balance increased by \$63,106 in fiscal year 2007. The fund still has a deficit balance of \$2,371. An increase in the property tax levy accounts for the decrease in the deficit balance. Future property tax revenue will be used to fund the current deficit balance.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$301,108 in fiscal 2006 to \$360,921 in fiscal 2007.
- The Capital Projects fund balance increased from a deficit of \$21,957 in fiscal 2006 to a deficit of \$6,657 in fiscal 2007. This deficit will be funded by future operating revenues.
- The Capital Projects LOST fund balance decreased from \$231,759 in fiscal 2006 to \$177,544 in fiscal 2007. The dollars generated in this fund have been used for capital improvement projects in the district.

Proprietary Fund Highlights

School Nutrition fund net assets decreased from \$46,146 at June 30, 2006 to \$38,064 at June 30, 2007.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the District had invested \$8,210,939 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8). Total depreciation expense for the year was \$258,156.

The largest changes in capital asset activity during the year occurred in the construction in progress category. The District completed an air conditioning project during the fiscal year and started an auditorium seating project that will be completed in fiscal year 2008.

Figure A-8 - Capital Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2006	2007	2006	2007	2006	2007	2006-2007
Land	\$ 11,388	\$ 11,388	\$ -	\$ -	\$ 11,388	\$ 11,388	-
Land Improvements	216,151	216,151	-	-	216,151	216,151	-
Const. In Progress	93,594	45,208	-	-	93,594	45,208	-51.70%
Buildings and improvements	5,959,149	6,339,092	-	-	5,959,149	6,339,092	6.38%
Furniture and Equipment	1,458,996	1,507,675	89,939	91,425	1,548,935	1,599,100	3.24%
Total	\$ 7,739,279	\$ 8,119,514	\$ 89,939	\$ 91,425	\$ 7,829,217	\$ 8,210,939	4.88%

Long-Term Debt

At year-end, the District had \$1,355,000 in General Obligation Refunding Bonds outstanding, \$79,549 in general fund loans, \$28,000 in general obligation capital loan notes, and \$337,165 in early retirement obligations.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Under Iowa's school funding formula, the District is highly dependent on student enrollment. The District trend of declining enrollment will continue into the 2007-2008 school year. The gradual phasing out of budget guarantee will also have an impact on our funding.
- The district contracts in students from the Greater Hoyt District in South Dakota. During the 2007 Legislative Session the State of South Dakota passed Senate Bill 157, which in part states that any school district that has a fall enrollment of less than one hundred and is not a sparse school district shall reorganize with another school district or school districts to create a newly reorganized district, with a fall enrollment of one hundred or greater. The Greater Hoyt District must plan to reorganize effective July 1, 2009 (2009-2010 school year). This will have an impact of approximately \$470,000 in lost revenue per year for the Akron-Westfield Community School District.

- The District began receiving revenue from a one (1) percent local option sales tax during fiscal year 2005. This tax, voted in for ten (10) years, will provide revenue for capital repairs and improvements.
- The District issued General Obligation Refunding Bonds – Series 2004 on December 1, 2005. This issue will have a savings of \$76,528 beginning over the period of FY 2007 through FY 2015, with the largest amount of \$54,800 in FY 2015.
- Construction of an ethanol plant scheduled for the summer of 2007 did not come to fruition. Due to economic factors in the ethanol industry, the investors behind this project decided not to build this plant. A bio-diesel plant is still scheduled to be constructed within our district boundaries. The tax valuation of this project is yet to be determined.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Thompson, District Secretary/Treasurer, Akron-Westfield Community School District, 850 Kerr Drive, Akron, Iowa 51001.

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Pooled Investments	\$ 1,969,641	\$ 18,036	\$ 1,987,677
Receivables:			
Property Tax	47,557		47,557
Succeeding Year Property Tax	2,035,150		2,035,150
Accrued Interest	4,710		4,710
Accounts	10,194		10,194
Due from Other Governments	102,921		102,921
Inventories		5,568	5,568
Bond Discounts	19,148		19,148
Land	11,388		11,388
Construction in Progress	45,208		45,208
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	3,784,822	14,550	3,799,372
Total Assets	8,030,739	38,154	8,068,893
LIABILITIES			
Accounts Payable	68,998	90	69,088
Due to Other Governments	6,587		6,587
Salaries and Benefits Payable	400,014		400,014
Accrued Interest Payable	4,535		4,535
Deferred Revenue - Succeeding Year Taxes	2,035,150		2,035,150
Noncurrent Liabilities:			
Due Within One Year:			
General Obligation Capital Loan Notes	28,000		28,000
Notes Payable	62,902		62,902
Early Retirement Payable	102,958		102,958
Bonds Payable	155,000		155,000
Due in More Than One Year:			
Notes Payable	16,647		16,647
Early Retirement Payable	234,207		234,207
Bonds Payable	1,200,000		1,200,000
Total Liabilities	4,314,998	90	4,315,088
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,378,869	14,550	2,393,419
Restricted for:			
Educational Excellence - Phase III	2,800		2,800
Debt Service	90,982		90,982
Physical Plant and Equipment Levy	360,921		360,921
Unrestricted	882,169	23,514	905,683
Total Net Assets	\$ 3,715,741	\$ 38,064	\$ 3,753,805

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 2,545,516	\$ 522,033	\$ 375,646	
Special Instruction	585,123	96,896	28,098	
Other Instruction	660,313	272,374	8,478	
Support Services:				
Student Services	191,364	9,125		
Instructional Staff Services	140,838			
Administration Services	492,211			
Operation and Maintenance	293,131	133,507		
Transportation Services	333,156	35,173	2,393	
Other Expenditures:				
Facilities Acquisition and Construction Services	247,869	31,857		\$ 10,690
Long-term Debt Interest	63,655			
AEA Flowthrough	169,290		169,290	
Total governmental activities	<u>5,722,466</u>	<u>1,100,965</u>	<u>583,905</u>	<u>10,690</u>
Business Type Activity				
Non-instructional Programs				
Food Service Operations	<u>261,895</u>	<u>158,386</u>	<u>94,980</u>	
Total	<u><u>\$ 5,984,361</u></u>	<u><u>\$ 1,259,351</u></u>	<u><u>\$ 678,885</u></u>	<u><u>\$ 10,690</u></u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Gain on Disposal of Fixed Assets				
Other				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activity	Total
\$ (1,647,837)		\$ (1,647,837)
(460,129)		(460,129)
(379,461)		(379,461)
(182,239)		(182,239)
(140,838)		(140,838)
(492,211)		(492,211)
(159,624)		(159,624)
(295,590)		(295,590)
(205,322)		(205,322)
(63,655)		(63,655)
-		-
<u>(4,026,906)</u>		<u>(4,026,906)</u>
	\$ (8,529)	(8,529)
<u>(4,026,906)</u>	<u>(8,529)</u>	<u>(4,035,435)</u>
1,985,531		1,985,531
200,443		200,443
138,780		138,780
302,400		302,400
2,030,522		2,030,522
62,990	272	63,262
251		251
15,071	175	15,246
<u>4,735,988</u>	<u>447</u>	<u>4,736,435</u>
709,082	(8,082)	701,000
<u>3,006,659</u>	<u>46,146</u>	<u>3,052,805</u>
<u>\$ 3,715,741</u>	<u>\$ 38,064</u>	<u>\$ 3,753,805</u>

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNEMENTAL FUNDS
JUNE 30, 2007

	General	Debt Service	PPEL Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Pooled Investments	\$ 1,177,836	\$ 153,939	\$ 294,510	\$ 343,356	\$ 1,969,641
Receivables:					
Property Tax	35,368	4,613	1,689	5,887	47,557
Succeeding Year Property Tax	1,516,962	205,563	77,625	235,000	2,035,150
Accrued Interest			1,951	2,759	4,710
Accounts	4,434			5,760	10,194
Due from Other Funds	9,802		620		10,422
Advance to Other Funds	1,593		62,368		63,961
Due from Other Governments	51,962			50,959	102,921
Total Assets	2,797,957	364,115	438,763	643,721	4,244,556
Liabilities and Equity					
Liabilities:					
Accounts Payable	26,874			42,124	68,998
Due to Other Funds	620			9,802	10,422
Advance from Other Funds		62,368		1,593	63,961
Due to Other Governments	6,587				6,587
Salaries and Benefits Payable	400,014				400,014
Early Retirement Payable				4,356	4,356
Unearned Revenue	5,154	667	217	806	6,844
Deferred Revenue - Succeeding Year Taxes	1,516,962	205,563	77,625	235,000	2,035,150
Total Liabilities	1,956,211	268,598	77,842	293,681	2,596,332
Fund Balances:					
Reserved for:					
Educational Excellence- Phase III	2,800				2,800
Debt Service		95,517			95,517
Student Activities				181,524	181,524
Unreserved for:					
General Fund	838,946				838,946
Special Revenue Fund			360,921	(2,371)	358,550
Capital Project Fund				170,887	170,887
Total Fund Balances	841,746	95,517	360,921	350,040	1,648,224
Total Liabilities and Equity	\$ 2,797,957	\$ 364,115	\$ 438,763	\$ 643,721	\$ 4,244,556

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 18)	\$ 1,648,224
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,841,418
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,535)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	19,148
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	6,844
Long-term liabilities, including bonds payable, lease obligations payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,795,358)</u>
Total Net Assets - Governmental Activities (page 15)	<u>\$ 3,715,741</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General	Debt Service	PPEL Fund	Other Governmental Funds	Total Governmental Funds
Revenue:					
Local Sources:					
Local Tax	\$ 1,729,943	\$ 200,443	\$ 138,780	\$ 557,276	\$ 2,626,442
Tuition	582,247				582,247
Other	235,701	11,094	27,483	300,344	574,622
State Sources	2,466,120	165	62	210	2,466,557
Federal Sources	170,278		10,690		180,968
Total Revenue	5,184,289	211,702	177,015	857,830	6,430,836
Expenditures:					
Current:					
Instruction:					
Regular Instruction	2,316,101			100,977	2,417,078
Special Instruction	585,123				585,123
Other Instruction	395,822			264,491	660,313
Support Services:					
Student Services	163,296			10,266	173,562
Instructional Staff Services	80,451			18,024	98,475
Administration Services	470,753		51	33,685	504,489
Operation and Maintenance	492,099		5,775	60,710	558,584
Transportation Services	280,225			78,578	358,803
Other Expenditures:					
Facilities Acquisition and Construction Services			81,645	259,025	340,670
Long-term Debt:					
Principal		257,501			257,501
Interest and Fiscal Charges		62,198			62,198
AEA Flowthrough	169,290				169,290
Total Expenditures	4,953,160	319,699	87,471	825,756	6,186,086
Excess (Deficiency) of Revenues Over Expenditures	231,129	(107,997)	89,544	32,074	244,750
Other Financing Sources (Uses):					
Transfers In		119,062			119,062
Transfers Out	(89,330)		(29,732)		(119,062)
Total Other Financing Sources (Uses)	(89,330)	119,062	(29,732)	-	-
Net Change in Fund Balances	141,799	11,065	59,812	32,074	244,750
Fund Balances - Beginning of Year	699,947	84,453	301,108	317,966	1,403,474
Fund Balances - End of Year	\$ 841,746	\$ 95,518	\$ 360,920	\$ 350,040	\$ 1,648,224

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 20)	\$	244,750
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$	438,147	
Depreciation expense		<u>(255,349)</u>	182,798

Accrued interest expense that does not require current financial resources		796
--	--	-----

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		24,778
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.		712
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.		(2,253)
--	--	---------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repaid	257,501	
Issued	<u>-</u>	<u>257,501</u>

Change in net assets of governmental activities (page 17)	\$	<u>709,082</u>
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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	Business Type Activity School Nutrition Fund
ASSETS	
Current Assets:	
Cash and Pooled Investments	\$ 18,036
Inventories	5,568
Total Current Assets	<u>23,604</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	14,550
Total Noncurrent Assets	<u>14,550</u>
Total Assets	<u>38,154</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	90
Total Current Liabilities	<u>90</u>
Total Liabilities	<u>90</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	14,550
Unrestricted	23,514
Total Net Assets	<u>\$ 38,064</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Business Type Activity School Nutrition Fund
Operating Revenues:	
Charges for services	\$ 158,384
Total Operating Revenue	158,384
Operating Expenses:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	100,354
Benefits	36,526
Purchased Services	1,058
Supplies	120,662
Depreciation	2,807
Other	488
Total Operating Expenses	261,895
Operating (Loss)	(103,511)
Non-Operating Revenues	
Interest Income	272
State Lunch Reimbursements	3,268
National School Lunch Program	76,251
Federal Food Commodities Received	15,463
Gain on Disposal of Fixed Assets	175
Total Non-Operating Revenues	95,429
Change in net assets	(8,082)
Net Assets - Beginning	46,146
Net Assets - Ending	\$ 38,064

See Accompanying Notes to Financial Statements

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Business Type Activity School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 158,384
Cash paid to employees for services	(136,880)
Cash paid to suppliers for goods or services	(100,736)
Total cash (used) by operating activities	<u>(79,232)</u>
Cash flows from noncapital financing activities:	
State grants received	3,268
Federal grants received	76,251
Total cash provided by noncapital financing activities	<u>79,519</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,075)
Proceeds from sale of capital assets	175
Total cash (used) by capital and related financing activities	<u>(2,900)</u>
Cash flows from investing activities:	
Interest on investments	<u>272</u>
Net decrease in cash and cash equivalents	(2,341)
Cash and cash equivalents - beginning of year	<u>20,377</u>
Cash and cash equivalents - end of year	<u><u>18,036</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(103,511)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation expense	2,807
Commodities used	15,463
(Increase) decrease in assets and increase (decrease) in liabilities:	
Inventories	6,108
Accounts Payable	(99)
Net cash (used) in operating activities	<u><u>\$ (79,232)</u></u>
Non-cash investing, capital and financing activities:	
Federal food commodities received	<u><u>\$ 15,463</u></u>

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2007

ASSETS

Cash and Pooled Investments	<u>\$ 3,165</u>
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Total Assets	<u>3,165</u>
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LIABILITIES

Due to Others	<u>3,165</u>
---------------	--------------

Total Liabilities	<u>3,165</u>
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NET ASSETS

Unrestricted	<u>-</u>
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Total Net Assets	<u><u>\$ -</u></u>
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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Akron-Westfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Akron and Westfield, Iowa, the predominate agricultural territory in Plymouth County, and the Greater Hoyt Independent School District in Union County, South Dakota through the Interstate School District Compact. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Akron-Westfield Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. Akron-Westfield Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989, in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUND TYPES

Fiduciary Funds are used to report assets held in an agency or custodial capacity for others and therefore are not available to support District functions. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The District's fiduciary funds include the following:

The Athletic Boosters fund is used to account for revenues earned and expenditures incurred by the Akron-Westfield Community School District Athletic Boosters.

The Employee Flex Account fund is used to account for employee contributions to flexible spending accounts and for disbursements made to those employees for the eligible expenses they incur.

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

Debt Service – See the description on the previous page.

Physical Plant and Equipment Levy Fund – Accounts for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

The District reports the following major enterprise fund:

School Nutrition – Accounts for the food service operations of the District.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005, assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District's capitalization thresholds are as follows: Land, \$2,000; Building and Improvements, \$10,000; Furniture and Equipment purchased in a Governmental Fund, \$2,000; and Equipment purchased in the School Nutrition Fund, \$500.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2007, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

There were no investments as of June 30, 2007, meeting the definition of GASB Statement 40.

NOTE 3 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007, is as follows:

Transfer From	Transfer To	Amount
General	Debt Service	\$ 89,330
Special Revenue:		
Physical Plant & Equipment Levy	Debt Service	29,732
Total		<u>\$ 119,062</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental Activities:				
Capital assets not being depreciated:				
Construction in Progress	\$ 93,594	\$ 297,087	\$ 345,473	\$ 45,208
Land	11,388	-	-	11,388
Total capital assets not being depreciated	<u>104,982</u>	<u>297,087</u>	<u>345,473</u>	<u>56,596</u>
Capital assets being depreciated:				
Buildings	5,959,149	379,943	-	6,339,092
Improvements other than buildings	216,151	-	-	216,151
Furniture and equipment	1,458,996	106,590	57,911	1,507,675
Total capital assets being depreciated	<u>7,634,296</u>	<u>486,533</u>	<u>57,911</u>	<u>8,062,918</u>
Less: Accumulated Depreciation for:				
Buildings	2,641,629	174,677	-	2,816,306
Improvements other than buildings	152,024	9,801	-	161,825
Furniture and equipment	1,287,005	70,871	57,911	1,299,965
Total Accumulated Depreciation	<u>4,080,658</u>	<u>255,349</u>	<u>57,911</u>	<u>4,278,096</u>
Total capital assets being depreciated, net	<u>3,553,638</u>	<u>231,184</u>	<u>-</u>	<u>3,784,822</u>
Governmental activities capital assets, net	<u>\$ 3,658,620</u>	<u>\$ 528,271</u>	<u>\$ 345,473</u>	<u>\$ 3,841,418</u>
Business-type Activities:				
Furniture and equipment	\$ 89,939	\$ 3,075	\$ 1,589	\$ 91,425
Less: Accumulated Depreciation	75,657	2,807	1,589	76,875
Business-type activities capital assets, net	<u>\$ 14,282</u>	<u>\$ 268</u>	<u>\$ -</u>	<u>\$ 14,550</u>

Construction in progress for governmental activities consisted of costs incurred in connection with an auditorium seating project.

Depreciation expenses was charged to the functions of the as follows:

Governmental Activities:

Regular Instruction	\$ 203,202
Operation and Maintenance	9,801
Transportation Services	<u>42,346</u>

Total depreciation expenses – governmental activities

\$ 255,349

Business-type activities:

Food Service Operations	<u>\$ 2,807</u>
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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business- Type Activities
Construction in Progress	\$ 45,208	
Land	11,388	
Capital Assets (net of accumulated depreciation)	3,784,822	\$ 14,550
Less: Bonds Payable	1,355,000	
Notes Payable	79,549	
General Obligation Capital Loan Notes	28,000	
Invested in Capital Assets, Net of Related Debt	<u>\$ 2,378,869</u>	<u>\$ 14,550</u>

NOTE 5 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Refunding Bonds	\$ 1,500,000	-	\$ 145,000	\$ 1,355,000	\$ 155,000
General Obligation Capital Loan Notes	56,000	-	28,000	28,000	28,000
Notes Payable	164,050	-	84,501	79,549	62,902
Early Retirement	363,184	\$ 83,276	109,295	337,165	102,958
Governmental Activities Long-Term Liabilities	<u>\$ 2,083,234</u>	<u>\$ 83,276</u>	<u>\$ 366,796</u>	<u>\$ 1,799,714</u>	<u>\$ 348,860</u>

General Obligation Refunding Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation refunding bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation refunding bonds as of June 30, 2007, are as follows:

	Date of Issue	Interest Rate	Final Due Date	Amount Originally Issued	Outstanding June 30, 2007
GO Refunding Bonds	2004	2.60-4.10%	6-1-15	\$ 1,500,000	\$ 1,355,000

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 5 – LONG-TERM LIABILITIES – (CONTINUED)

Annual debt service requirements to maturity for general obligation refunding bonds are as follows:

Year Ending June 30	Governmental Activities Principal	Interest
2008	\$ 155,000	\$ 50,163
2009	155,000	44,738
2010	165,000	39,313
2011	170,000	33,703
2012	180,000	27,583
2013-2017	530,000	40,723
Total	\$ 1,355,000	\$ 236,223

General Obligation Capital Loan Notes

On November 1, 2003, the District issued \$140,000 general obligation capital loan notes with an interest rate of 3.05% to provide funds for capital improvements. The notes will be repaid with proceeds from the voter approved physical plan and equipment levy and physical plant and equipment income surtax.

The annual debt service requirements to maturity for general obligation capital loan notes are as follows:

Year Ending June 30	Governmental Activities Principal	Interest
2008	\$ 28,000	\$ 854
Total	\$ 28,000	\$ 854

Notes Payable

During the year ended June 30, 1998, the District borrowed \$455,000 by issuing a capital loan note to fund the construction of a wind generator. During the year ended June 30, 2001, the District entered into a \$51,647 loan agreement with the Hoyt School District to purchase a school bus. The loan is interest free and will be repaid with a reduction of transportation charges over the next ten years. Details of the District's notes payable are as follows:

Year Ending June 30,	\$455,000 Note Payable			\$51,647 Note Payable No Interest
	Principal	4.85% Interest	Total	Principal Only
2008	\$ 57,902	\$ 2,044	\$ 59,946	\$ 5,000
2009				5,000
2010				5,000
2011				5,000
2012				1,647
Total	\$ 57,902	\$ 2,044	\$ 59,946	\$ 21,647

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 5 – LONG-TERM LIABILITIES – (CONTINUED)

Early Retirement – Termination Benefits

During 1993, the Board of Education established an early retirement policy. All licensed professional employees who have completed at least 15 years of service within the District and are between the ages of 55 and 62 are eligible to make application for retirement benefits. Benefits are payable in two equal installments on January 20 of the two succeeding years after retirement. Benefits are based upon thirty percent of the employee's current salary plus 0.5 percent of current salary for each year of credited experience. In addition, the District will apply \$141 for retirees prior to fiscal year 2004, \$300 for retirees in fiscal year 2004, and \$425 for retirees in fiscal year 2005 and thereafter, on a monthly basis, towards an employee benefit until the earlier of the employee's death or reaching age 65. A discount of 5.6% was used to determine the present value of the future payments.

At June 30, 2007, the District has obligations to twelve participants with a total liability of \$337,165. Actual early retirement expenditures for the year ended June 30, 2007, totaled \$109,295. The cost of early retirement payments expected to be liquidated within 60 days have been recorded as a liability of the Special Revenue – Management Levy Fund in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

NOTE 6 – INTERFUND RECEIVABLES & PAYABLES

As of June 30, 2007, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Capital Projects	\$ 5,064 *
General	Management	3,096 *
PPEL	General	620 **
General	Student Activity	1,642***
		<u>\$ 10,422</u>

*The purpose of the interfund balances is to help finance the short-term cash shortage in the Capital Projects and Management Funds.

**Expenses were incorrectly paid out of the PPEL Fund, so the interfund balance has been recorded until the cash is transferred from the General Fund.

***A donation was improperly recorded in the Student Activity Fund, so the interfund balance has been recorded until the cash is transferred to the General Fund.

As of June 30, 2007, long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
PPEL	Debt Service	\$ 62,368
General	Capital Projects	1,593
		<u>\$ 63,961</u>

NOTE 7 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 7 – PENSION AND RETIREMENT BENEFITS – (CONTINUED)

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$180,574, \$180,339 and \$169,755 respectively, equal to the required contributions for each year.

NOTE 8 – RISK MANAGEMENT

Akron-Westfield Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$169,290 for the year ended June 30, 2007, and is recorded in the General Fund.

NOTE 10 – DEFICIT FUND BALANCE

As of June 30, 2007, the following funds had a deficit fund balance in the amount shown:

Management Levy	<u>\$ 2,371</u>
Capital Projects	<u>\$ 6,657</u>

The deficit will be funded by future operating revenues and property tax levies.

NOTE 11 – COMMITMENTS

The District has entered into a contract totaling \$37,987 for the auditorium seating project. As of June 30, 2007, costs of \$32,575 have been incurred against the contract. The balance of \$5,412 will be paid as work on the project progresses.

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Governmental</u>	<u>Proprietary</u>		<u>Final Budget</u>
	<u>Original</u>	<u>Amended</u>	<u>Funds</u>	<u>Fund</u>	<u>Total</u>	<u>to Actual</u>
			<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Variance</u>
REVENUE:						
Local Sources:						
Local Tax	\$ 2,277,803	\$ 2,277,803	\$ 2,626,442	\$ -	\$ 2,626,442	\$ 348,639
Tuition	692,000	692,000	582,247	-	582,247	(109,753)
Other	964,000	964,000	574,622	158,656	733,278	(230,722)
State Sources	2,592,922	2,592,922	2,466,557	3,268	2,469,825	(123,097)
Federal Sources	312,000	312,000	180,968	91,714	272,682	(39,318)
Total Revenue	6,838,725	6,838,725	6,430,836	253,638	6,684,474	(154,251)
EXPENDITURES:						
Current:						
Instruction	3,944,734	3,944,734	3,662,514	-	3,662,514	282,220
Support Services	1,916,500	1,916,500	1,693,913	-	1,693,913	222,587
Non-instructional Programs	317,378	317,378	-	261,895	261,895	55,483
Other Expenditures	1,308,980	1,308,980	829,659	-	829,659	479,321
Total Expenditures	7,487,592	7,487,592	6,186,086	261,895	6,447,981	1,039,611
Excess (Deficiency) of Revenues Over Expenditures	(648,867)	(648,867)	244,750	(8,257)	236,493	885,360
Other Financing Sources (Uses):						
Transfers In	116,000	116,000	119,062	-	119,062	3,062
Transfers Out	(116,000)	(116,000)	(119,062)	-	(119,062)	(3,062)
Proceeds from Sale of Capital Assets		-	-	175	175	175
Total Other Financing Sources (Uses)	-	-	-	175	175	175
Net Change in Fund Balances	(648,867)	(648,867)	244,750	(8,082)	236,668	885,535
Fund Balances - Beginning of Year	1,449,620	1,449,620	1,403,474	46,146	1,449,620	-
Fund Balances - End of Year	\$ 800,753	\$ 800,753	\$ 1,648,224	\$ 38,064	\$ 1,686,288	\$ 885,535

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Required Supplemental Information – Budgetary Reports
June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2007, the District had no budget amendments.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 1,729,538
Mobile Home Tax	405
	<u>1,729,943</u>

Other Local Sources:

Interest on Investments	37,303
Tuition from Other Districts	582,247
Transportation Fees	35,173
Sales of Services to Other LEA's/AEA's	67,618
Miscellaneous	95,607
	<u>817,948</u>
	<u>2,547,891</u>

State Sources:

State Foundation Aid	2,008,900
Instructional Support State Aid	19,935
Educational Excellence Program:	
Phase I	50,674
Phase II	43,394
Non-Public Transportation Aid	2,393
Teacher Compensation	119,768
Vocational Education Aid	3,978
Revenue in Lieu of Taxes - Military Credit	1,250
AEA Flow-Through	169,290
Iowa Early Intervention Block Grant	35,288
Other State Aid	11,250
	<u>2,466,120</u>

Federal Sources:

Title I Grants to Local Educational Agencies	54,914
Safe and Drug-Free Schools and Communities-States Grants	2,512
Innovative Education Program Strategies (Title V Program)	1,016
Vocational Education - Basic Grants to States	4,000
Special Education - Grants to States	28,098
Title VI Grants for Assessments and Related Activities	4,347
Learn and Serve America School and Community Based Programs	500
Improving Teacher Quality State Grants	16,005
Medical Assistance Program (Title XIX Program)	22,408
Small Rural School Achievement Program	36,478
	<u>170,278</u>

Total Revenue	\$	5,184,289
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Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1 (Continued)

Expenditures:

Instruction:

Regular Instruction:

Salaries	\$ 1,585,658
Benefits	502,833
Services	139,918
Supplies	76,920
Property	8,136
Other	2,636
	<u>2,316,101</u>

Special Education Instruction:

Salaries	381,633
Benefits	105,727
Services	91,791
Supplies	5,499
Other	473
	<u>585,123</u>

Vocational Instruction:

Salaries	140,694
Benefits	46,381
Services	918
Supplies	11,197
Property	7,540
Other	419
	<u>207,149</u>

Co-curricular Instruction:

Salaries	108,763
Benefits	14,060
	<u>122,823</u>

Other Instruction:

Salaries	45,334
Benefits	19,927
Services	8
Supplies	581
	<u>65,850</u>
	<u>3,297,046</u>

Total Instruction

Support Services:

Student Services:

Guidance Services:

Salaries	73,670
Benefits	20,055
Services	3,194
Supplies	855
Property	197
Other	770
	<u>98,741</u>

Appraisal Services:

Services	1,847
	<u>\$ 1,847</u>

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1 (Continued)

Support Services (Continued):

Student Services (Continued):

Health Services:

Salaries	\$ 49,169
Benefits	11,842
Supplies	1,613
Other	84
	<u>62,708</u>

Total Student Services

163,296

Instructional Staff:

Improvement of Instruction Services:

Services	4,324
Supplies	468
	<u>4,792</u>

Educational Media Services:

Salaries	32,072
Benefits	4,768
Services	765
Supplies	28,571
Property	9,483
	<u>75,659</u>

Total Instructional Staff Services

80,451

Administration:

Executive Administration:

Salaries	82,000
Benefits	26,463
Services	13,892
Supplies	1,544
Other	1,880
	<u>125,779</u>

School Administration:

Salaries	180,790
Benefits	54,549
Services	2,807
Supplies	3,110
Other	1,952
	<u>\$ 243,208</u>

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1 (Continued)

Support Services (Continued):

Administration (Continued):

Business Administration:

Salaries	\$ 50,587
Benefits	14,820
Services	12,221
Supplies	963
Other	1,162
	<u>79,753</u>

Board of Education:

Services	18,392
Supplies	1,074
Other	2,547
	<u>22,013</u>

Total Administration Services:

470,753

Operation and Maintenance:

Plant Operation and Maintenance:

Salaries	108,499
Benefits	29,026
Services	89,540
Supplies	197,296
Property	16,386
Other	257
	<u>441,004</u>

Other Support Services:

Salaries	29,183
Benefits	7,232
Services	1,461
Supplies	7,897
Property	4,960
Other	362
	<u>51,095</u>

Total Operation and Maintenance:

492,099

Transportation Services:

Student Transportation:

Salaries	147,550
Benefits	30,143
Services	29,800
Supplies	72,025
Other	707
	<u>280,225</u>

Total Transportation Services:

280,225

Total Support Services

\$ 1,486,824

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1 (Continued)

Other Expenditures:	
AEA Flow-Through	\$ 169,290
Total Expenditures	<u>4,953,160</u>
Excess of Revenues Over Expenditures	<u>231,129</u>
Other Financing Uses:	
Transfers To Other Funds	<u>(89,330)</u>
Excess of Revenues Over Expenditures and Other Financing Uses	141,799
Fund Balance - Beginning of Year	<u>699,947</u>
Fund Balance - End of Year	<u><u>\$ 841,746</u></u>

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2007**

<u>Special Revenue Funds</u>			
	Management Levy	Student Activity	Capital Projects
Assets			
Cash and Pooled Investments		\$ 175,104	
Receivables:			
Property Tax	\$ 5,887		
Succeeding Year Property Tax	235,000		
Accrued Interest		2,759	
Accounts Due from Other Governments		5,760	
Total Assets	<u>240,887</u>	<u>183,623</u>	<u>-</u>
Liabilities and Equity			
Liabilities:			
Accounts Payable		457	
Due to Other Funds	3,096	1,642	\$ 5,064
Advance from Other Funds			1,593
Early Retirement Payable	4,356		
Unearned Revenue	806		
Deferred Revenue - Succeeding Year			
Property Taxes	235,000		
Total Liabilities	<u>243,258</u>	<u>2,099</u>	<u>6,657</u>
Fund Balances:			
Unreserved for:			
Special Revenue Fund	(2,371)	181,524	
Capital Project Fund			(6,657)
Total Fund Balances (Deficits)	<u>(2,371)</u>	<u>181,524</u>	<u>(6,657)</u>
Total Liabilities and Equity	<u>\$ 240,887</u>	<u>\$ 183,623</u>	<u>\$ -</u>

Schedule 2

Capital Projects LOST		Total	
\$	168,252	\$	343,356
			5,887
			235,000
			2,759
			5,760
	50,959		50,959
	219,211		643,721
	41,667		42,124
			9,802
			1,593
			4,356
			806
			235,000
	41,667		293,681
			179,153
	177,544		170,887
	177,544		350,040
\$	219,211	\$	643,721

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Special Revenue Funds</u>		
	Management Levy	Student Activity	Capital Projects
Revenue:			
Local Sources:			
Local Tax	\$ 254,876		
Other	9,003	\$ 272,374	\$ 15,300
State Sources	210	-	-
Total Revenue	<u>264,089</u>	<u>272,374</u>	<u>15,300</u>
Expenditures:			
Current:			
Instruction:			
Regular Instruction	100,032	-	-
Other Instruction	-	264,491	-
Support Services:			
Student Services	10,266	-	-
Instructional Staff Services	12,054	-	-
Administration Services	33,685	-	-
Operation and Maintenance	34,362	-	-
Transportation Services	10,584	-	-
Other Expenditures:			
Facilities Acquisition and Construction	-	-	-
Total Expenditures	<u>200,983</u>	<u>264,491</u>	<u>-</u>
Excess(Deficiency) of Revenues Over Expenditures	<u>63,106</u>	<u>7,883</u>	<u>15,300</u>
Net Change in Fund Balances	63,106	7,883	15,300
Fund Balances (Deficits) - Beginning of Year	<u>(65,477)</u>	<u>173,641</u>	<u>(21,957)</u>
Fund Balances (Deficits) - End of Year	<u>\$ (2,371)</u>	<u>\$ 181,524</u>	<u>\$ (6,657)</u>

Schedule 3

Capital Projects LOST	Total
\$ 302,400	\$ 557,276
3,667	300,344
-	210
306,067	857,830
945	100,977
-	264,491
-	10,266
5,970	18,024
-	33,685
26,348	60,710
67,994	78,578
259,025	259,025
360,282	825,756
(54,215)	32,074
(54,215)	32,074
231,759	317,966
\$ 177,544	\$ 350,040

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2007

	Balance June 30, 2006	Revenues	Expenditures	Operating Transfers	Schedule 4 Balance June 30, 2007
Adult Education	\$ 291				\$ 291
Ag. And Industrial Arts Resale	2,601	\$ 953	\$ 667		2,887
Alumni	475				475
Art Club	1,136	158			1,294
Art-Science Trip	106	14,474	14,580		-
Athletics	39,965	69,829	75,247	\$ 807	35,354
Athletic Pop	16,767	5,956	3,968		18,755
AW Store	3,395	4,593	4,508		3,480
Class of 2008	-	9,996	8,755		1,241
Class of 2009	-	2,933	2,933		-
Climate Committee	-	250	250		-
Coaches Towels	-	6,140	6,140		-
Concessions	5,425	21,072	20,997		5,500
Drill Team	4,131	9,385	11,215		2,301
Extra Duty	619				619
Family Career Community Leader of America	915	2,449	1,614		1,750
Flags	-	614			614
Future Farmers of America	6,744	27,711	28,784		5,671
High School Student Council	6,153	5,426	5,344		6,235
Home Economics	477		63		414
Interest/Student Management	14,904	11,524	3,316		23,112
Kindergarten Milk	1,823	752	558		2,017
Lakeside Lab	701	5,603	5,733		571
Medicaid Adm. Claim	658				658
Middle School Student Council	9,971	6,037	6,051		9,957
Music - Instrumental	4,952	7,633	6,010		6,575
Music - Vocal	11,396	17,679	18,397		10,678
Pep Club	3,856	3,652	2,565		4,943
Physical Education Revolving	7,690	704	292		8,102
Pictures	1,871				1,871
Project Prom	2,586	4,608	5,215		1,979
Revolving	1,793	2,090	2,555	(807)	521
Scholarship	911				911
Speech	274	714	624		364
TAG	-	2,155	2,155		-
Textbooks	38	14,621	13,939		720
Thespians	6,325	1,028	1,056		6,297
Towel	9,415	2,579	1,489		10,505
Western Roundup	5,277	9,056	9,471		4,862
	<u>\$ 173,641</u>	<u>\$ 272,374</u>	<u>\$ 264,491</u>	<u>\$ -</u>	<u>\$ 181,524</u>

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2007**

Schedule 5

	Athletic Boosters	Employee Flex Account	Total
ASSETS			
Cash and Pooled Investments	\$ 1,013	\$ 2,152	\$ 3,165
Total Assets	<u>1,013</u>	<u>2,152</u>	<u>3,165</u>
LIABILITIES			
Due to Others	1,013	2,152	3,165
Total Liabilities	<u>\$ 1,013</u>	<u>\$ 2,152</u>	<u>\$ 3,165</u>

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

				Schedule 6
	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Athletic Boosters				
Assets				
Cash and Pooled Investments	\$ -	\$ 12,071	\$ 11,058	\$ 1,013
Total Assets	<u>-</u>	<u>12,071</u>	<u>11,058</u>	<u>1,013</u>
Liabilities				
Due to Others	-	11,058	12,071	1,013
Total Liabilities	<u>-</u>	<u>11,058</u>	<u>12,071</u>	<u>1,013</u>
Employee Flex Account				
Assets				
Cash and Pooled Investments	773	51,713	50,334	2,152
Total Assets	<u>773</u>	<u>51,713</u>	<u>50,334</u>	<u>2,152</u>
Liabilities				
Due to Others	773	50,334	51,713	2,152
Total Liabilities	<u>773</u>	<u>50,334</u>	<u>51,713</u>	<u>2,152</u>
Total				
Assets				
Cash and Pooled Investments	773	63,784	61,392	3,165
Total Assets	<u>773</u>	<u>63,784</u>	<u>61,392</u>	<u>3,165</u>
Liabilities				
Due to Others	773	61,392	63,784	3,165
Total Liabilities	<u>\$ 773</u>	<u>\$ 61,392</u>	<u>\$ 63,784</u>	<u>\$ 3,165</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2007, 2006, 2005, 2004

Schedule 7

	Modified Accrual Basis of Accounting			
	2007	2006	2005	2004
Revenues:				
Local Sources:				
Local Tax	\$ 2,626,442	\$ 2,527,810	\$ 2,361,791	\$ 2,018,722
Tuition	582,247	656,329	579,088	527,911
Other	574,622	569,013	486,195	422,266
State Sources	2,466,557	2,315,907	2,466,637	2,238,485
Federal Sources	180,968	236,879	177,232	351,664
Total	<u>6,430,836</u>	<u>6,305,938</u>	<u>6,070,943</u>	<u>5,559,048</u>
Expenditures:				
Instruction:				
Regular	2,417,078	2,268,824	2,169,018	1,996,354
Special	585,123	558,794	546,674	575,742
Other	660,313	695,396	717,219	557,068
Support Services:				
Student	173,562	169,917	161,488	275,818
Instructional Staff	98,475	138,848	156,101	117,150
Administration	504,489	518,034	512,645	551,045
Operation and maintenance of plant	558,584	651,804	421,483	314,492
Transportation	358,803	364,074	328,578	224,592
Central Support	-	-	-	4,613
Non-instructional programs	-	-	500	51,666
Other Expenditures:				
Facilities Acquisition	340,670	33,686	516	218,634
Long-term debt:				
Principal	257,501	109,989	217,611	210,272
Interest and other charges	62,198	148,392	154,390	109,153
AEA Flowthrough	169,290	162,508	184,103	182,474
Total	<u>\$ 6,186,086</u>	<u>\$ 5,820,266</u>	<u>\$ 5,570,326</u>	<u>\$ 5,389,073</u>

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Schedule 8

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Schedule 8 (Continued)

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-07 Financial Accounting – Segregation of Duties

Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that invoices/claims are not paid until reviewed by the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-07 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation –The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Schedule 8 (Continued)

Part III: Other Findings Related to Statutory Reporting:

- III-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, did not exceed the certified budget amount.
- III-B-07 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-D-07 Business Transactions – There were no business transactions between the District and District officials or employees noted during the year ended June 30, 2006.
- III-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-07 Board Minutes – No transactions requiring Board approval that had not been approved by the Board were noted.
- III-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- III-I-07 Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- III-J-07 Financial Condition – The District had deficits in the management levy special revenue fund and capital projects fund at June 30, 2007.
- Recommendation – The District should investigate alternatives to significantly reduce and/or eliminate this deficit.
- Response – The District is aware of this situation and will investigate alternatives to significantly reduce and/or eliminate these deficits by June 30, 2008.
- Conclusion – Response accepted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2007

Schedule 9

II-A-06 Financial Accounting – Segregation of Duties

Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that invoices/claims are not paid until reviewed by the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-06 Grant Administration

Observation – The District does not have a system in place to monitor the various grants received by the District. Budgets, drawdowns, and reporting requirements were done with no administrative oversight.

Recommendation – The District should assign an individual to be responsible for grant administration including internal accounting and external reporting to ensure both timely reimbursement and compliance with applicable laws, regulations, contracts, and grant agreements.

Response – The District has assigned an individual to oversee the grant process.

Conclusion – We feel the response is acceptable therefore there is no comment for the current year.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Akron-Westfield Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Akron-Westfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Akron-Westfield Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Akron-Westfield Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Akron-Westfield Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Akron-Westfield Community School District's ability to initiate, authorize, record, process,

or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Akron-Westfield Community School District's financial statements that is more than inconsequential will not be prevented or detected by the Akron-Westfield Community School District's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item II-A-07 and II-B-07 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Akron-Westfield Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

The Akron-Westfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the Akron-Westfield Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Akron-Westfield Community School District and other parties to whom the Akron-Westfield Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Akron-Westfield Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Akron-Westfield, Iowa
November 20, 2007